WEATHERING THE STORM – EMERGING FROM THE COVID-19 CRISIS AS A STRONGER COMPANY

PAUL SCHULER
CEO
SIKA CAPITAL MARKETS DAY 2020
THE IMPACT OF COVID-19
MAINTAIN HIGH FLEXIBILITY
## THE IMPACT OF THE PANDEMIC
### FEBRUARY TO SEPTEMBER 2020

- **Severe COVID-19 wave started in March**
- **Around 35 of 100 Sika countries with full lockdown for about two months in the first half of the year, rest of countries strongly impacted**

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<th>Country</th>
<th>March</th>
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### Total Lockdown

- Countries with full lockdown for about two months in the first half of the year.

### Partial Lockdown

- Countries with lockdown measures in place but not full lockdown.

### No Lockdown

- Countries with no lockdown measures in place.
**MEASURES ADDRESSING PANDEMIC SITUATION**  
**MAINTAIN HIGH FLEXIBILITY**

<table>
<thead>
<tr>
<th>Measures</th>
<th>Operational Agility</th>
<th>Operating Profit &amp; Cash Focus</th>
<th>Liquidity</th>
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<tr>
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<td>▪ General</td>
<td>▪ Drive Efficiency initiatives</td>
<td>▪ Cash Balance</td>
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<td>▪ Strong local management actions in each country</td>
<td>▪ Accelerate integration of acquisitions (for example Parex)</td>
<td>▪ High cash balance of CHF 557.6 million (Half Year 2020)</td>
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<td>▪ Preparation and response according to local situation which differs from country to country, scenario planning</td>
<td>▪ Adaptation of cost structure, reduction of expenses</td>
<td>▪ Unused, fully committed credit lines (RCF) of CHF 1,250 million, no covenants</td>
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<td>▪ Taking advantage of local support measures</td>
<td>▪ Tight monitoring and management of Accounts Receivables</td>
<td>▪ No maturity until July 2021 (CHF 170 million)</td>
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<td>▪ Focus on market opportunities, driving improving sales trend</td>
<td>▪ Align inventory needs and processes</td>
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SIKA’S SUCCESS FACTORS IN THE CIRSIS
NAVIGATING THE PANDEMIC
GROWTH MODEL WITH EARLY MARKET PENETRATION
FROM NEW-BUILD TO REFURBISHMENT

SIKA HAS SOLUTIONS FOR ALL MARKETS

Emerging markets
Developing markets
Mature markets

Sika’s market potential

Long-term market potential Sika

Repair and refurbishment
Higher building standards
Infrastructure
STRUCTURAL GROWTH, MARKET PENETRATION AND ACQUISITION
HOW SIKA DELIVERS SUPERIOR AND SUSTAINABLE GROWTH OF 6-8%

Growth in local currencies
INFRASTRUCTURE PROGRAMS STIMULATE MARKET GROWTH
CHF 10 TRILLION PLANNED STIMULI FOR CONSTRUCTION

Investments in the areas of:
- Transportation infrastructure
- Public buildings (hospitals, schools)
- Renewable energy
- IT infrastructure
- Water and sewage facilities
- Urban development
- Mining

Asia/Pacific
CHF 8.6 trillion

Europe
CHF 750 billion

Americas
CHF 1 trillion
INFRASTRUCTURE PROGRAMS STIMULATE MARKET GROWTH
EXAMPLES OF COVID-19 INFRASTRUCTURE PROGRAMS

- **EU**
  - **EUR 750 billion**
    - EU recovery plan
  - Focuses on renewable energy, refurbishment, and clean mobility

- **USA**
  - Lowest common denominator between the two parties is a **USD 1 trillion** infrastructure program
  - A bill has not yet been passed

- **China**
  - Investment plans and major infrastructure projects of up to **USD 7 trillion**
  - Focuses on digitalization, information, infrastructure
EU GREEN DEAL INITIATIVE TO BOOST BUSINESS
SIKA TO PROFIT AS GLOBAL LEADER IN BUILDING FINISHING

Existing buildings
- High energy consumption due to low isolation
- Low waterproofing standards
- Hollow brick structure

New regulations
- EU Green Deal
  - Stricter building regulations leading to renovations of buildings and infrastructure
- Countries such as UK with similar regulations regarding higher building standards

Sika solutions reducing heat loss and water impact

Waterproofing
- Waterproofing membranes
- Waterbars
- Resins and injection systems

External walls
- Concrete protection
- Insulated concrete
- Coatings & sealants
- Repair mortars
- Facade sealants
- Sikasil glazing adhesive

Roofing systems
- Roofing solutions
- Membranes
- Insulation systems

Flooring
- Flooring systems
- Tiling
- Coating
- Leveling
- Bonding

Windows & doors
- Sealants
- Double glazing
- Fenestration
- Sikaglaze sealant

Internal building finishing
- Sealants
- Tile setting mortars
DIGITAL ECONOMY AND E-COMMERCE
UNLOCKING ADDITIONAL POTENTIAL

- COVID-19 has accelerated digital and e-commerce boom
- Increasing investments from civil infrastructure to data centers
- Sika as preferred provider of Roofing, Flooring, Concrete, Fire Protection, and Waterproofing solutions for data centers of big Key Accounts

Huge investments in data-transfer and G5 technology
Increasing need for data centers drives demand for Sika solutions
Big cities remain highly attractive
Companies will not transition to 100% home office mid-term
Even if less people will be working in office buildings, social distancing requirements will remain and more space will be needed
Drive towards more sustainable buildings
Rising demand for home improvement
RESILIENT AND GROWING IN DISTRIBUTION BUSINESS
INCREASING OPPORTUNITIES

- Boom in DIY business
  - Home improvement business is booming
  - Leading retail and hardware store chains report strong double digit increase in sales during lockdown
  - Access to numerous amount of small end-users (craftsmen, tilers, etc.)
  - Lockdown brought new customer generation of Millennials and Generation X

- Sika’s distribution business highly resilient

![Graph showing Sika's distribution business performance compared to market and construction direct sales](image)

CAGR past 5 years:
- Distribution Market: 3%
- Sika: 18%

+71% sales increase in e-commerce in 2020
SUCCESS FACTORS IN THE CRISIS
OVERALL STRONGER GROWTH OF REFURBISHMENT BUSINESS

- High resilience of refurbishment in crisis
- Urbanization and densification drive the need for refurbishment
- Structures have to be maintained
- Complexity favor refurbishment over new build
- New regulations and building standards make refurbishment mandatory
SUCCESS FACTORS IN THE CRISIS
STRONG CUSTOMER FOCUS

- Close contact with customers
  - Daily calls and personal contact
  - Over 100,000 webinars and online trainings
- New sales-driven website with access to all products in all countries
- Solution-driven mentality
SUCCESSFUL PAREX INTEGRATION
ON TRACK TO MEET AMBITIOUS TARGETS
### TOTAL SYNERGIES
Around CHF 100 million identified

### TOTAL COST SYNERGIES
CHF 55 million

### CHF 40 MILLION+
Run rate synergies achieved to date

### CROSS-SELLING
500+ initiatives tracked, 48% of them in cross-selling

### PRODUCT LAUNCHES
34 new products launched in over 10 countries

### SHOP IN SHOP
Concept launched in China in **42,700 STORES**

### 23 INTEGRATED TEAMS
Working together to achieve results
SHORT RE-VISIT OF STRATEGY 2023
ON TRACK TO MEET AMBITIOUS TARGETS
MAJOR MEGATRENDS SUPPORTING SIKA’S GROWTH
NO CHANGES DUE TO PANDEMIC

TECHNOLOGY ADVANCEMENT

RAPID URBANIZATION

DYNAMIC ECONOMY

CLIMATE CHANGE, SHORTAGE OF RESOURCES

CHANGING DEMOGRAPHICS
SIKA’S GROWTH STRATEGY 2023
THE PILLARS OF THE STRATEGY

Market Penetration
- 6-8% annual growth

Innovation
- 25% of sales with new products

Operational Efficiency
- 0.5% pts non-material cost improvement as % of net sales

Acquisitions
- 15-18% EBIT margin
  Until 2020: <15%

Values
- >10% Operating free cash flow per year as % of net sales
- >25% ROCE by 2023

SUSTAINABILITY

12% CO₂ emission reduction per ton sold
MARKET PENETRATION
INCREASE MARKET SHARE TO 12%

Driver for future growth:
How we increase market share

New Target Market

Initiatives

1. Emerging Markets
2. Key Project Management
3. Cross-Selling
4. Channel Penetration
5. Strong Sika Brand

Construction chemicals market 2020
approx. CHF 70 billion

Sika 9%
Others 58%
Top 12

Construction chemicals market 2025
approx. CHF 80 billion

Sika 12%
Others 88%

+2.5% p.a.
market growth
INNOVATION
MORE PERFORMANT – MORE SUSTAINABLE

Focus on Sika’s five core technologies

25% of sales with new products

Increased focus on product sustainability:
more performant
more sustainable

- Drive innovation to stay the clear market leader and drive growth and margins
- Drive increase of productivity and sustainability in construction

Shift in construction to 3D printing and modular construction

FIVE CORE TECHNOLOGIES:

Concrete Technology
Adhesive Systems
Coating Systems
Cementitious Systems
Thermoplastic Systems

93 new patents in 2019
122 inventions in 2019

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OPERATIONAL EFFICIENCY DRIVES MARGIN IMPROVEMENT MORE THAN OPERATING LEVERAGE

Sika’s footprint significantly expanded over the years

Initiatives to increase operational efficiency

1. Operations / Factory Efficiency
2. Formulation Efficiency
3. Logistics
4. Procurement
5. Sales and admin costs in %

0.5% savings expected every year
ACQUISITIONS AS GROWTH PLATFORMS
NUMEROUS OPPORTUNITIES TO CONSOLIDATE MARKET

- Fragmentation offers acquisition opportunities
- Sika acting as market consolidator
- More than 60 bolt-on acquisitions in the last 12 years
- Acquisitions as growth platforms
- Solid pipeline but due diligence process hindered by COVID-19

Construction chemicals market 2020 approx. CHF 70 billion
VALUES AND PRINCIPLES
WHAT SIKA STANDS FOR

- Customer first
- Courage for innovation
- Sustainability and integrity
- Empowerment and respect
- Manage for results

Global Employee Survey in 2019 showed very high commitment to work and identification with Sika. Employees are proud to work for Sika.

25,000 employees

6.0% employee turnover rate in 2019

HIGH COMMITMENT OF EMPLOYEES DURING PANDEMIC
SUSTAINABILITY
70% OF SIKA PRODUCTS WITH POSITIVE SUSTAINABLE IMPACT

- 70% of Sika products with a **positive sustainable impact**
- Sika products help to drive CO$_2$ footprint of our customers down

Overall target
**12% CO$_2$ emission reduction per ton sold by 2023**

Our «More Value - Less Impact» targets:
- Sustainable Solutions
- Community Engagement
- Occupational Safety
- Climate Performance
- Energy
- Waste/Water
HIGH EMISSIONS IN THE BUILDING INDUSTRY
CONSTRUCTION CHEMICALS ENABLER FOR STRUCTURAL CHANGE

kg CO₂ per ton produced

Sika
Light-side Building Material companies
Heavy-side Building Material companies
SUSTAINABILITY – CLIMATE PERFORMANCE
STRATEGIC CO₂ TARGET LEADS TO CLIMATE NEUTRALITY BY 2050

27 kg CO₂/tons sold
(Scope 1&2)

- 12%
- 50%

In 2020 Sika concentrates on Scope 1 and 2

**Internal CO₂ footprint**

**Scope 1 (direct)**
- Internal fossil fuel usage
- Energy production

**Scope 2 (indirect)**
- Purchased energy, mainly electricity

CO₂ neutral
SIKA ENABLES SUSTAINABLE CONSTRUCTION
SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

Scope 3 (external CO₂ footprint)

70% of Sika products with a positive sustainable impact

HIGH-STRENGTH CONCRETE WITH Sika® ViscoCrete®
REDUCES CONCRETE CONSUMPTION
AS THINNER CONSTRUCTIONS ARE POSSIBLE

Sika® ViscoCrete® TECHNOLOGY ALLOWS FOR
REDUCTION OF CEMENT CONTENT BY 25%
ENABLING REPLACEMENT OF CEMENT WITH FLY ASH AND SLAG

Sika® ViscoCrete® TECHNOLOGY
ENABLES UP TO 40% REDUCTION OF WATER CONTENT IN CONCRETE
SIKA ENABLES SUSTAINABLE CONSTRUCTION
SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

Scope 3 (external CO₂ footprint) 70% of Sika products with a positive sustainable impact

SIKA SOLUTIONS FOR REPAIR AND REFURBISHMENT
STRENGTHEN, WATERPROOF, INSULATE, PROTECT, AND REPAIR BUILDINGS AND STRUCTURES

SIKA REPAIR SYSTEMS
PROLONGS LIFETIME, INCREASE SAFETY AND ENERGY EFFICIENCY

SIKA’S OFFERING INCLUDES:
STRUCTURAL STRENGTHENING SYSTEMS,
WATERPROOFING AND REPAIR MORTAR,
WATERPROOFING AND PROTECTIVE COATINGS.
SIKA ENABLES SUSTAINABLE CONSTRUCTION
SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

SIKA SUPPLIES HIGHLY DURABLE, ROOT RESISTANT MEMBRANES FOR
GREEN ROOFS
- REDUCE URBAN HEAT EFFECT AND IMPROVE AIR QUALITY
- INSULATING QUALITIES LEAD TO ENERGY SAVINGS
- NOISE POLLUTION REDUCTION
- SUPPORT BIODIVERSITY

SIKA SOLAR-REFLECTIVE MEMBRANES FOR
COOL ROOFS
REDUCE ENERGY CONSUMPTION BY UP TO 15%

Scope 3 (external CO₂ footprint)
70% of Sika products with a positive sustainable impact

LONGEVITY
- WARRANTIES ACCORDING TO CUSTOMER REQUIREMENTS
- MANY SIKA ROOFS ARE 40 YEARS AND OLDER

ROOF RECYCLING PROGRAM
CONSERVES NATURAL RESOURCES WITH 36,000 TONS OF PROCESSED RECYCLED MATERIALS DIVERTED FROM LANDFILLS TO DATE

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ROOF RECYCLING PROGRAM
CONSERVES NATURAL RESOURCES WITH 36,000 TONS OF PROCESSED RECYCLED MATERIALS DIVERTED FROM LANDFILLS TO DATE
Confirmation of 2023 strategic targets for sustainable, profitable growth

Outlook for the second half of the year: Sika is expecting more favorable market conditions. With the anticipated improvement in sales volumes, the company expects an over-proportional EBIT increase for the second half of the year.
THANK YOU FOR YOUR ATTENTION
FORWARD-LOOKING STATEMENT

This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as ‘expects’, ‘believes’, ‘estimates’, ‘anticipates’, ‘projects’, ‘intends’, ‘should’, ‘seeks’, ‘future’ or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation, among others:

- Fluctuations in currency exchange rates and general financial market conditions
- Interruptions in production
- Legislative and regulatory developments and economic conditions
- Delay or inability in obtaining regulatory approvals or bringing products to market
- Pricing and product initiatives of competitors
- Uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of research projects, unexpected side-effects of pipeline or marketed products
- Increased government pricing pressures
- Loss of inability to obtain adequate protection for intellectual property rights
- Litigation
- Loss of key executives or other employees
- Adverse publicity and news coverage

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